

Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 TRSE-00 OPIC-03 AID-05 /082 W

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R 180153Z MAR 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5302

INFO USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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E.O. 11652: XGDS-1

TAGS: PFOR, JA, AS

SUBJ: NEGOTIATIONS ON TREATY OF NARA

REF: TOKYO 0772 NOTAL

1. DURING MARCH 14 EMBASSY-DFA ROUND-UP SESSION WITH DEPUTY ASSISTANT SECRETARY ZURHELLEN, GOA SIDE SUMMARIZED RECENT PROBLEMS WHICH HAVE ARISEN DURING NEGOTIATIONS LOOKING TO A NIPPON-AUSTRALIA RELATIONS AGREEMENT ("TREATY OF NARA").

2. THIS PROJECT HAS BEEN UNDER WAY FOR MANY MONTHS AND HAS BEEN THE SUBJECT OF NEGOTIATIONS BOTH IN CANBERRA AND MOST RECENTLY IN TOKYO. SOME RECENT PRESS REPORTS HAVE SUGGESTED THAT THE PRINCIPAL CURRENT DIFFICULTY IN THE NEGOTIATIONS WAS JAPANESE CONCERN OVER GOA INTERVENTION IN PRICING MINERALS EXPORT CONTRACTS.

3. ACCORDING TO BRADY, ASST. SECY., DFA, NORTH ASIA BRANCH, THE RECENT BREAKDOWN IN NEGOTIATIONS WAS CAUSED BY JAPANESE DEMANDS AFFECTING THE APPLICATION OF MFN, BOTH TO THE

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ENTRY OF FOREIGN INVESTMENT AND QUESTIONS OF THE ENTRY

AND STAY OF BUSINESSMEN. BRADY STATED THAT THERE WERE TWO UNACCEPTABLE JAPANESE REQUESTS: (1) THAT THE COMMITMENT TO MFN NOT ONLY GUARANTEE JAPAN MFN TREATMENT UNDER THE LAWS, POLICIES AND REGULATIONS IN FORCE AT ANY GIVEN FUTURE TIME, BUT THAT THEY GUARANTEE FUTURE TREATMENT OF JAPAN NO LESS FAVORABLE THAN MFN TREATMENT UNDER PRESENT LAW AND POLICY. IN OTHER WORDS, JAPAN WAS REQUESTING NOT ONLY MFN TREATMENT, BUT IN EFFECT A "STANDSTILL" GUARANTEE THAT FUTURE MFN TREATMENT WOULD AT MINIMUM BE NO LESS FAVORABLE THAN PRESENT MFN TREATMENT; (2) THAT JAPAN RECEIVE SOME FORM OF "COMPENSATION" IN THESE AREAS TO MAKE UP FOR THE LONG PERIOD IN WHICH IT HAS NOT BEEN RECEIVING MFN TREATMENT AND HAS THEREFORE BEEN UNABLE TO DEVELOP ITS ECONOMIC PRESENCE IN AUSTRALIA AS FULLY AS OTHER COUNTRIES. DETAILS OF THE PROPOSED "COMPENSATION" WERE NOT CLEAR.

4. BRADY INDICATED THAT THESE JAPANESE INTERPRETATIONS OF "MFN" HAD ARISEN UNEXPECTEDLY DURING THE MOST RECENT ROUND OF TOKYO NEGOTIATIONS AND HAD BEEN LARGELY RESPONSIBLE FOR THEIR BREAKDOWN. THE DFA APPEARS STILL HOPEFUL THAT SOME RESOLUTION WILL BE FOUND FOR THIS IMPASSE. BECAUSE THESE JAPANESE INTERPRETATIONS ARE WHOLLY UNACCEPTABLE TO GOA, WE ASSUME THE BASIS FOR SUCH HOPE MUST BE AN ASSUMPTION THAT THE JAPANESE MAY EVENTUALLY BACK DOWN.

5. ON PRIME MINISTER WHITLAM'S INSTRUCTIONS DFA SECRETARY RENOUF CALLED IN JAPANESE AMBASSADOR MARCH 17 AND TOLD HIM JAPANESE POSITION WAS FLATLY UN-ACCEPTABLE, AND THAT GOA SAW NO CHOICE BUT TO SUSPEND NEGOTIATIONS. RENOUF AND WHITLAM BELIEVE JAPANESE HAVE BEEN UNDER IMPRESSION THAT WHITLAM NEEDED NARA FOR DOMESTIC POLITICAL REASONS AND THEREFORE WOULD MAKE IMPORTANT CONCESSIONS. RENOUF FEELS HE HAS DISABUSED JAPANESE OF THIS MISAPPREHENSION AND EXPECTS JAPANESE TO WITHDRAW THEIR EXAGGERATED PROPOSALS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, NARA, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CANBER01684
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750093-0659
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750342/aaaablda.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TOKYO 0772
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 20 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 MAY 2003 by ElyME>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEGOTIATIONS ON TREATY OF NARA
TAGS: PFOR, JA, AS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006